

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-02 AGR-05 TAR-01

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FM USMISSION EC BRUSSELS

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INFO ALL EC CAPITALS 275

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E.O. 11652: N/A

TAGS: EFIN, EEC

SUBJECT: UK RENEGOTIATIONS--THE BUDGET ISSUE

REF: EC BRUSSELS 00499

1. SENIOR COMMISSION AND UK PERMDEL SOURCES BRIEFED US ON THE CURRENT STATUS OF DISCUSSIONS REGARDING THE UK BUDGET ISSUE. THE ARGUMENT OVER "OWN RESOURCES" CONTINUES TO BE A KEY POINT OF DISPUTE. THE FRENCH REPORTEDLY ARE ARGUING THAT THE "CORRECTIVE MECHANISM" SHOULD NOT APPLY TO CUSTOM DUTIES AND AGRICULTURAL LEVIES. UK SOURCES HERE MAINTAIN IT WAS AGREED AT THE PARIS SUMMIT TO INCLUDE ALL TYPES OF BUDGETARY PAYMENTS. THEY SAY THAT THE FRENCH ARE NOW BACKTRACKING ON THIS AGREEMENT AND THE UK FIND THIS UN-ACCEPTABLE.

2. THE COMMISSION HAS DEVELOPED SEVERAL POSSIBILITIES FOR COMPENSATING MEMBER STATES FOR DISPROPORTIONATE BUDGETARY PAYMENTS. RATHER THAN REDUCING PAYMENTS, THE COMMISSION TENDS TO FAVOR REIMBURSEMENT BY INCREASING EC BUDGETARY EXPENDITURES TO THE COUNTRY CONCERNED THE
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FOLLOWING YEAR. THE UK REPORTEDLY FAVORS THIS PROPOSAL

BUT WANTS AN AUTOMATIC MECHANISM; OTHER MEMBER STATES
WOULD LIKE AN AD HOC MECHANISM.

3. THE FRG REPORTEDLY MAINTAINS THAT THE AMOUNT OF REIM-
BURSEMENT SHOULD BE BASED ON NET FLOWS, I.E., BUDGETARY
PAYMENTS MINUS RECIEPTS. OUR BRITISH SOURCES SAY THE UK
IS WILLING TO ACCEPT THIS PROPOSAL AND SEVERAL UK OFFICIALS
HAVE GONE TO BONN TO DISCUSS A COMPROMISE FORMULA WITH THE
FRG. IT IS THE BRITISH INTENTION TO DETACH THE GERMANS
FROM THE FRENCH ON THE BUDGET ISSUE.

4. THE COMMISSION WILL REVIEW THE OPTIONS PAPER ON THE
BUDGET ISSUE ON JANUARY 30. MEMBER STATES EXPECT TO RE-
CEIVE IT EARLY IN FEBRUARY. GREENWALD

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Message Attributes

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